



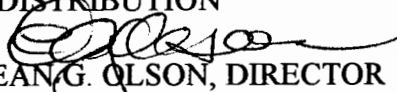
Department of Energy

Washington, DC 20585

March 9, 2006

MEMORANDUM FOR DISTRIBUTION

FROM:


DEAN G. OLSON, DIRECTOR
OFFICE OF FINANCIAL POLICY

SUBJECT:

CONTRACTOR PENSION OBLIGATIONS - FY 2006 PENSION
INFORMATION REQUEST

The Department will continue to follow the requirements of Financial Accounting Standards Board (FASB), Statement No. 87, "Employers' Accounting for Pensions," of December 1985, for measuring and recognizing contractor pension obligations. In this regard, the requirements contained in the attached "Department of Energy Pension Benefit Plans, 2006 Fiscal Year Information Request," (information request) are applicable to any DOE contractor, whether or not a management and operating contractor, for which the Department has a continuing pension obligation. Your submissions will be reviewed by Headquarters and used in the development of yearend accrual estimates, as well as consolidated Departmental disclosures in accordance with the requirements of FASB Statement No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." **A copy of the information request should be forwarded to applicable contractors immediately to allow sufficient time to complete the required reporting schedules.**

The required standardized assumptions contained in the information request have been reviewed and updated as needed (e.g., **the mortality table has been updated and the required discount rate selected is 5.25%**). Also, this year's information request includes Table A-8a, "Selected Valuation Information," and Table A-8b, "Minimum Funding Standard Account Bases," and requests the most recent Actuarial Valuation Report for each applicable contractor plan be included with your FAS 87 submissions. This information will provide our office more detailed data that will enable Headquarters to estimate the Departmentwide impact of any future change such as pension legislative reforms or changes in reporting requirements. In addition, the FY 2006 information request provides, as attachments, a copy of any FY 2005 individual contractor memoranda developed by Chet Andrzejewski of Aon Consulting, Inc. regarding any additional information requested as a result of the FY 2005 review process and applicable individual contractor disclosure sheets, "9/30/2005 Disclosure Information under FAS Statement No. 87." These disclosure sheets contain information needed for the completion of the FY 2006 information request. For example, the amount on Line D.5, "9/30/2005 Prepaid/(Accrued) Pension Benefit Cost," of the attached disclosure sheet(s) must be used on Table A-1, Line D.1, "Prepaid/(Accrued) Pension Cost at 9/30/2005," of the information request.



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As required in previous information requests, the pension estimates must be developed by the contractors through the use of qualified actuarial support. Two (2) hard copies of the completed submissions should be forwarded to the Office of Financial Policy (CF-50) and one (1) hard copy to our Headquarters consulting actuary, Chet Andrzejewski, Aon Consulting, Inc., 500 East Pratt Street, Baltimore, Maryland 21202, by May 23, 2006. (Please note Aon's address has changed.) A diskette containing the attached reporting schedules and standardized assumptions has also been attached. One completed copy of the diskette using the prescribed formats (**Microsoft Word 2000 and Microsoft Excel 2000**) must be included with each contractor submission to CF-50 and to Aon Consulting, Inc. Any significant deviation from the information request requirements must be justified in writing and submitted to CF-50 for concurrence prior to processing the valuations. **Please note that due to the established schedule for audited Departmental financial statements, it is imperative that the completed submissions and any additional yearend information be provided to CF-50 and to our Headquarters consulting actuary on or before the due dates specified in the information request.**

Procedures established by the Energy Finance and Accounting Service Center shall be followed for recording the pension liability or asset. It should also be noted adjustments to the accrual estimates may be required to reflect minimum liability requirements and any additional information that becomes available by yearend (e.g., updated asset information on Table A-6 required by August 24, 2006).

In addition to the aforementioned pension reporting requirements, you should be aware that the Pension Benefit Guaranty Corporation (PBGC) premium requirements have changed and will result in increased PBGC premium costs for many of the Department's site/facility management contractors. Also, you should be aware there is a potential for other changes in pension funding requirements that may result from future pension legislative reforms which could have a significant impact on resource requirements.

Please forward the name, phone number, fax number, and e-mail address of a point of contact to CF-50 by March 31, 2006. If you or your staff should have any questions concerning this memorandum, please contact Michael Lynch of my staff on (202) 586-6894.

Attachments

DISTRIBUTION

Thomas C. Foley, Chief Financial Officer, CH
Timothy A. Rea, Finance Team Leader, GFO
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Sharon K. Marchant, Chief Financial Officer, NETL
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Consolidated Business Center, EM-3.3

March 8, 2006